RECORD AND BRIEFS

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IN THE

Supreme Court of the United States

TC HEARTLAND, LLC D/B/A/
HEARTLAND FOOD PRODUCTS GROUP,

Petitioner,

v.

KRAFT FOODS GROUP BRANDS LLC,

Respondent.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF THE INTELLECTUAL PROPERTY LAW ASSOCIATION OF CHICAGO AS *AMICUS CURIAE* IN SUPPORT OF NEITHER PETITIONER NOR RESPONDENT

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INTEREST OF *AMICUS CURIAE*

The Intellectual Property Law Association of Chicago ("IPLAC") submits this brief as amicus curiae, but in support of neither party on the ultimate merits of the case.[1,2,3,4] Founded in 1884,

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[1] Pursuant to Supreme Court Rule 37.6, no counsel for a party authored this brief in whole or in any part, no such counsel or a party made a monetary contribution intended to fund the preparation or submission of the brief, and no person other than the *amicus curiae*, its members, or its counsel, made such a monetary contribution.

[2] In addition to the required statement of footnote 1, IPLAC adds that after reasonable investigation, IPLAC believes that (a) no member of its Board or Amicus Committee who voted to prepare this brief, or any attorney in the law firm or corporation of such a member, represents a party to this litigation in this matter, (b) no representative of any party to this litigation participated in the authorship of this brief, and (c) no one other than IPLAC, or its members who authored this brief and their law firms or employers, made a monetary contribution to the preparation or submission of this brief.

[3] Pursuant to Supreme Court Rule 37.2, counsel of record received timely notice of the intent to file this brief under the Rule and consent was granted.

[4] Although over 30 federal judges are honorary members of IPLAC, none of them was consulted or participated in any way regarding this brief.

the Intellectual Property Law Association of Chicago is the country's oldest bar association devoted exclusively to intellectual property matters. Located in Chicago, a principal locus and forum for the nation's authors, artists, inventors, scholarly pursuits, arts, creativity, research and development, innovation, patenting, and patent litigation, IPLAC is a voluntary bar association of over 1,000 members with interests in the areas of patents, trademarks, copyrights, and trade secrets, and the legal issues they present. Its members include attorneys in private and corporate practices before federal bars throughout the United States, as well as the U.S. Patent and Trademark Office and the U.S. Copyright Office. IPLAC represents both patent holders and other innovators in roughly equal measure. In litigation, IPLAC's members are split roughly equally between plaintiffs and defendants. As part of its central objectives, IPLAC is dedicated to aiding in the development of intellectual property law, especially in the federal courts.

SUMMARY OF ARGUMENT

This Court has twice answered the question presented, first in 1942 and then in 1957. Nothing has occurred since then to cause the Court to reverse its long-standing law that 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent infringement actions.

The Federal Circuit appears to believe that the Court did not mean what it has held. Rather, the Federal Circuit has engrafted 28 U.S.C. § 1391(c)

onto the back of § 1400(b). Applying those two provisions to patent infringement cases has resulted in patent cases being able to be filed in virtually every state in the Union. That was not the intent of § 1400(b) and has given rise to the localization of patent actions in certain courts having no real connection to the disputes, the defendants, or often the plaintiffs. It is time for the Federal Circuit's venue selection approach to revert to what the statute says, as this Court held twice, and over 60 years ago.

ARGUMENT

I. Due to the Federal Circuit's holdings in *VE* and *Beverly*, any alleged patent infringer can be sued essentially anywhere in the country.

The question presented is whether 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent infringement actions and is not to be "supplemented" by 28 U.S.C. § 1391(c). The answer from the five-page decision of *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222 (1957) affirming the six-page decision of *Stonite Products Co. v. Melvin Lloyd Co.*, 315 U. S. 561 (1942) is plainly yes, and the question is not the further subject of this brief. Instead, the subject of this brief is where the answer no of *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990), has taken the venue law and patent cases.

First, *VE* has taken the venue law to the very-much-unsettled and extreme outer limits of stream of commerce specific personal jurisdiction decision-making in the district courts. *VE* held that because of § 1391(c), § 1400(b) extends to any judicial district in which a defendant corporation is subject to personal jurisdiction (at the time the action is commenced), rather than the state of incorporation and where the defendant has committed acts of infringement and has a regular and established place of business, as in *Fourco*. Of course, a defendant is subject to personal jurisdiction not only under general jurisdiction, but under specific jurisdiction, as in *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S. 408, 416 (1984) and *International Shoe Co. v. Washington*, 326 U. S. 310, 316 (1945). In most instances in patent cases, specific jurisdiction is asserted as the basis for jurisdiction and venue, and the analysis collapses into stream of commerce analysis, under the Constitutional minimum contacts due process inquiry. Long-arm statutes typically go to the limits of due process. *E.g.*, *Doe v. Am. Nat'l Red Cross*, 112 F.3d 1048, 1050 (9th Cir. 1997). Since patent cases routinely concern products sold nationwide the stream of commerce theory is a plaintiff-patent owner favorite.

Unfortunately, this Court's stream of commerce jurisprudence is considered by the Federal Circuit to be subject to "several variants," "split," and a matter of debate. The Federal Circuit in *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F. 3d 1558, 1564, 1566 (Fed. Cir. 1994) analyzed *Asahi Metal Industry Co. v. Superior Court*, 480 U.S. 102 (1987) to resolve that four justices had a view that the mere act of placing a product in the stream of

commerce was enough for personal jurisdiction, while four had a view that more was needed. The four justices who found the mere act enough were led by Justice Brennan, who distinguished the stream of commerce only from "unpredictable currents or eddies," 480 U.S. at 117, not exactly an easily discernable or significant limit on stream of commerce theory.

Sidestepping this point, the Federal Circuit found jurisdiction in *Beverly* because the plaintiff had alleged that the defendants, acting in concert, placed accused products in the stream of commerce, knew their likely destination, and should reasonably have anticipated being in court in their subject venue. 21 F.3d at 1566. But the Federal Circuit also resolved that it would set its own course for stream of commerce law and owed no deference to the regional circuits on the matter. *Id.* at 1564.

An upshot of *VE* and *Beverly* is that any patent owner can sue any alleged infringer essentially anywhere in the country, if the alleged infringer or anyone handling its products has any Internet presence, and often when they do not, and the patent owners can expect to succeed in jurisdiction and venue. The patent owners can assert that the Federal Circuit respects a showing of stream of commerce with "nothing more" as much as it respects a stream of commerce showing with "something more," citing *Beverly*. They can also assert that alleged infringers did "more," by asserting as they can and typically do in every patent case that the alleged infringers were intentional in their infringement and thereby did "more" by intentionally targeting the patent owner, as was

done and resolved in their favor, for example, in *Isola USA Corp. v. Taiwan Union Tech. Corp.*, No. 2:12-cv-01361, 2013 WL 12109516, *7 (D. Ariz. Sept. 30, 2013).

II. The Federal Circuit's holdings in *VE* and *Beverly* have resulted in venue battles that would be unnecessary under this Court's well-established law in *Fourco*.

Moreover, patent owners can, as IP case lawyers often suggest or do themselves, sit in their offices, buy a product to have it shipped to them at their desired venue, and then allege stream of commerce jurisdiction and venue, from the shipment and "injury" they induced. Examples of such buying and positioning are in *Edberg v. Neogen Corp.*, 17 F.Supp.2d 104, 113 (D. Conn. 1998), and *BBK Tobacco & Foods LLP v. Juicy eJuice*, No. CV-13-00070, 2014 WL 1686842, at *8 (D. Ariz. Apr. 29, 2014) (trademark case). District courts sometimes have no issues with these plaintiff-self-induced injuries as establishing the plaintiff-desired jurisdiction and venue. *E.g.*, *BBK* at *8. As the Patent Case Management Judicial Guide at 115 states, "the patent venue statute generally permits a plaintiff to bring suit in any district."

Another upshot of the situation is that any defendant sued for patent infringement in a less than sensible venue is forced to make a costly motion to transfer under 28 U.S.C. § 1404(a), and make a showing of inconvenience as a matter of something

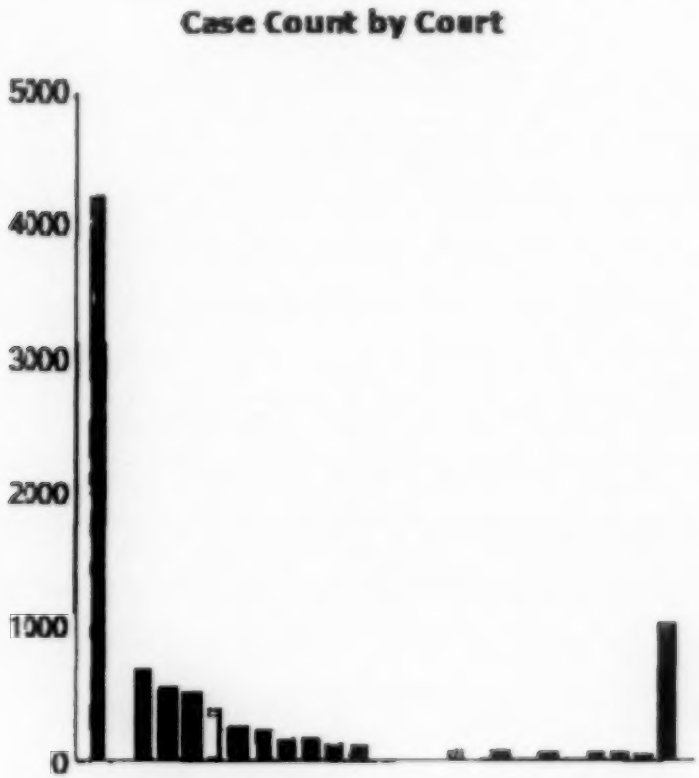
like eight factors, *e.g.*, *Jones v. GNC Franchising, Inc.*, 211 F.3d 495, 498 (9th Cir. 2000). Patent owners assert in response that their choice of forum is "rarely [to] be disturbed," citing non-IP cases such as *Piper Aircraft Co. v. Reyno*, 454 U.S. 235, 241 (1981). They assert the defendants must make "a strong showing of inconvenience," citing cases such as *Decker Coal. Co. v. Commonwealth Edison Co.*, 805 F.2d 834, 843 (9th Cir. 1086). They assert that decision on the motion is discretionary, as in *Arley v. United Pac. Ins. Co.*, 379 F.2d 183, 185 n. 1 (9th Cir. 1967). They assert that while defendants may have claimed important witnesses are elsewhere, they have not satisfied a technicality, *i.e.*, not "demonstrated[d], through affidavits or declarations containing admissible evidence, who the key witnesses will be and what their testimony will generally include.' *Adoma v. Univ. of Phoenix*, 711 F. Supp. 2d 1142, 1151 (E.D. Cal. 2010)," as done in *Koval v. U.S.*, No. 13-CV-1630, 2013 WL 6385595, n. 16 (D. Ariz. Dec. 6, 2013), (E.D. Cal. 2010). They assert transfer "merely shifts the inconvenience," as in *Warfield v. Gardner*, 346 F. Supp. 2d 1033, 1044 (D. Ariz. 2004). They can seek jurisdictional discovery, as in *Data Disc, Inc. v. Systems Tech. Assocs., Inc.*, 557 F.2d 1280, 1285 n. 1 (9th Cir. 1977). In short, the principal alternative available to defendants given the state of the situation is not simple, not inexpensive, and is complicated by opponents. For more, *see, e.g.*, Patent Case Management Judicial Guide, Third Edition, Federal Judicial Center 2016, at 2-61-65 - available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2637605.

In addition, the use of transfer motions has spawned collateral litigation in the form of mandamus petitions. In those instances, the patent defendant whose motion to transfer was denied, may file a petition for mandamus with the Federal Circuit, and that court has approved this procedure. *See In re TS Tech USA Corp.*, 551 F.3d 1315 (Fed. Cir. 2008); *see also*, DW Rupert, DH Shulman, *Clarifying, Confusing, or Changing the Legal Landscape: A Sampling of Recent Cases from the Federal Circuit*, 19 Fed. Cir. B. J. 521, 523-544 (2009-2010) (discussing patent venue principles, transfers, and the use of mandamus proceedings to contest denials of venue transfers). In light of the Court's *Fourco* and *Stonite Products* decisions, there should be no need to resort to collateral litigation in the form of mandamus petitions.

Others have explained where the answer no of *VE* has taken patent cases *geographically*. Under stream of commerce theory, patent cases are disproportionally in one district, the Eastern District of Texas, in one division, Marshall, and with one Article III judge exclusive for that division (J. Gilstrap) and another Article III judge non-exclusive for that division (J. Schroeder III), *See* http://www.txed.uscourts.gov/page1.shtml?location=info. The Eastern District of Texas is where plaintiffs go who want a plaintiff-friendly forum, and where they mostly stay, as against transfer. *See, e.g.*, D. Nazer, V. Ranieri, *Why Do Patent Trolls Go to Texas? It's Not for the BBQ*, July 9, 2014, available at: https://www.eff.org/deeplinks/2014/07/why-do-patent-trolls-go-texas-its-not-bbq. *See also* Margaret S. Williams et al., *Patent Pilot Program: Five-Year Report*, Federal Judicial Center (2016) at 9, available

at: http://www.fjc.gov/public/pdf.nsf/lookup/Patent-Pilot-Program-Five-Year-Report-2016.pdf/$file/Patent-Pilot-Program-Five-Year-Report-2016.pdf.

Between January 1, 2015 through December 31, 2016, about 40% of all patent cases were filed in the Eastern District of Texas (*i.e.*, 4,244 of the 10,782 patent cases filed in the district courts). *See* Appendix I hereto, Nature of Suit Strategic Profile, Property Rights – Patent (830), 1/1/2015 – 12/31/2016, 10782 cases, All Courts. The disparity between the number of patent cases in the E.D. Texas (shown in red in the first bar to the left), and the rest of the country is illustrated in the following chart (Appendix I at 3a):


Case Count by Court
5000
4000
3000
2000
1000
0
The top 24 Court (by case count) are represented by individual bars in the chart. The remaining Court are aggregated in the right-most bar, shown in dark purple color.

The Court might analyze that alleged infringers should care little where their lawsuits proceed. One court of appeals with nationwide jurisdiction, working along with this court, determines patent law for the country. All district courts across the country offer competent, if not highly competent and outstanding, federal district judges. Districts such as the Eastern District of Texas where judges handle higher volumes of patent cases also offer judges with funds of experience in such cases. Parties to patent cases should like judges with capabilities based on larger volumes of past specific experiences. They should like judges who like patent cases. They liked the "Rocket Docket" of the Eastern District of Virginia especially when it began. *See, e.g.*, https://en.wikipedia.org/wiki/Rocket_docket and https://www.law360.com/articles/644064/virginia-s-rocket-docket-continues-to-roar. They liked the Rocket Docket in the Western District of Wisconsin when it existed, and other such dockets. These districts and their judges knew patent cases and knew how to move them forward efficiently. It did not matter that they were in places like Richmond, Virginia, and Madison, Wisconsin.

Alleged infringers also liked and like the District of Delaware, and like districts with local patent rules such as the Northern District of California. *See* http://www.localpatent rules.com/. They should and many do like Patent Pilot Program districts. *See* Patent Pilot Program Report at 22-23. Alleged infringers may in fact hire lawyers without regard to whether they sit in the districts where the alleged infringers have their headquarters, or sit in the districts in which they want their cases. Chicago lawyers, for example, could be hired to represent

clients with headquarters anywhere in the country, in cases anywhere in the country, as often actually happens.

But alleged infringers care greatly where their lawsuits proceed. Transfers made because of transfer requests have occurred in numerous patent cases, and requests are made in many more cases. The motions are not typically matters of causing delay or expenditure, but borne out of genuine concerns for distant districts and their juries. The concern to avoid being "homered" is much the same as the concern that caused state-court-to-federal-court removal procedures to come into existence at the time of founding of the country and be Constitutionally protected. *See, e.g.*, Scott R. Haiber, *Removing the Bias Against Removal*, 53 Catholic U. L. Rev. 609 (2004) at 613-616, available at http://scholarship.law.edu/cgi/viewcontent.cgi?article=1246&context=lawreview.

III. The Federal Circuit's holdings in *VE* and *Beverly* have resulted in other unnecessary litigation, in addition to venue battles, that would be avoided under this court's well-established law in *Fourco*.

An example of the consequences the disproportionally high number of patent cases filed in the Eastern District of Texas is the disproportionally low number of rulings on motions to stay litigation pending U.S. Patent and Trademark Office proceedings, such as *inter partes*

review, including grants of those motions in that district compared to all districts collectively. As this Court has recognized:

> The Leahy-Smith America Invents Act, 35 U. S. C. §100 *et seq.*, creates a process called "inter partes review." That review process allows a third party to ask the U. S. Patent and Trademark Office to reexamine the claims in an already-issued patent and to cancel any claim that the agency finds to be unpatentable in light of prior art. See §102 (requiring "novel[ty]'); §103 (disqualifying claims that are "obvious").

Cuozzo Speed Technologies, LLC v. Lee, 579 U.S. ____ (2016).

One of the goals of the act was to address the large number of patent infringement lawsuits by providing ways, such as *inter partes* review, for parties to resolve patent validity in the U.S. Patent Office, and avoid "unnecessary litigation." *See* https://obamawhitehouse.archives.gov/the-press-office/2011/09/16/president-obama-signs-america-invents-act-overhauling-patent-system-stim.

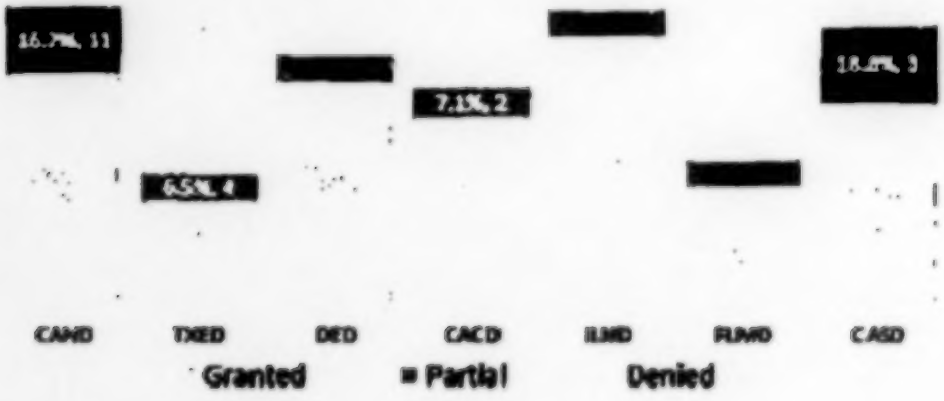
In view of over 40% of all patent cases being filed in the Eastern District of Texas (*see* Brief for Petitioner at 15), it would be expected that over 40% of rulings on motions to stay litigation pending *inter partes* review ("IPR") would be in that district. The following table shows, however, that only 10% of grants of these motions were in the Eastern District

of Texas, from 1/1/2015 through 12/31/2016. *See* Appendix II, for search results using Docket Navigator, (http://home.docketnavigator.com/).

Ruling on Motion to stay litigation pending *inter partes review*	All district courts	E.D. Tex.	E.D. Texas as a % of all district court rulings
Granted	421	42	10%
Denied	111	12	10.8%
Denied without prejudice	67	11	16.4%

Other studies show similar results. For example, as illustrated in the chart below, the Eastern District of Texas only comprises about 23% of rulings on stay motions pending post-grant proceedings in the U.S. Patent Office, *i.e.*, reexamination, *inter partes* review ("IPR"), and covered business method ("CBM") proceedings, when also considering only six other districts (N.D. Cal., D. Del., C.D. Cal., N.D. Ill., M.D. Fla., and S.D. Cal.)—23% is 62 rulings (42+4+16) of 263 total rulings (all chart numbers added) for the period September 2012-July 2015, (*available* at

http://docketreport.blogspot.com/2015/08/motions-to-stay-district-court-cases.html):[5]



Moreover, as illustrated by the above chart, the Eastern District of Texas only comprises about 13% of grants of stay motions when considering only the six other districts identified above, *i.e.*, 16 of 126 (39+16+33+13+12+5+8) grants of stay motions.

Commentators have recognized the lack of success of these motions in the Eastern District of Texas. *See e.g.*, Douglas B. Wentzel, *Stays Pending*

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[5] In the chart, the top numbers in each column represent the percentage and number of stays denied by the noted district; the middle numbers represent the percentage and number of stays partially granted/denied by the noted district. and the bottom numbers represent the percentage and number of stays granted by the noted district.

Inter Partes Review: Not In The Eastern District Of Texas, 98 J. Pat. & Trademark Off. Soc'y 120, (2016):

> This Article comprises an original study of the differential treatment of motions to stay pending IPR in exclusively NPE-filed cases, both nationwide and solely in the Eastern District of Texas. Through August 2015, the Eastern District of Texas had the lowest grant rate of stays pending IPR outcome in the nation. How the Eastern District of Texas decides stays represents a stark difference from stay decisions made in other U.S. district courts. Also, IPRs are now instituted less frequently than in years prior, and this lower grant rate has significantly impacted the likelihood of stays in the Eastern District of Texas.
>
> A lower stay grant rate in the Eastern District of Texas than in other districts is surprising, given that more than 96% of patent infringement suits in the district are brought by NPEs. Interestingly, district courts nationwide consistently find that NPEs are not prejudiced by a stay of co-pending patent litigation. The present study identifies and analyzes specific reasons for the unique treatment of motions to stay pending IPR in the Eastern District of Texas. This Article also considers how IPR institution impacts stay decisions in the Eastern District of

> Texas. Due to its unique approach to stay analysis, the Eastern District of Texas is the least likely district to grant a stay pending IPR.

The combination of disproportionately high percentage of patent cases filed in the Eastern District of Texas, the disproportionately lower rate of rulings on stays of litigation, and the disproportionately lower rate of stay motions granted in that district, deprives parties from enjoying the benefits of resolving validity issues in the U.S. Patent Office and avoiding unnecessary litigation.

Given the extreme scope of patent venue and jurisdiction, as applied by the Federal Circuit, the stream of commerce theory will continue to be favored by patent owner plaintiffs. Indeed, the surge of Internet sales has given patent owners wide choices in establishing jurisdiction and venue under that theory. Because patent cases typically concern products sold nationwide, the use of the Internet for product sales means products can be purchased from anywhere in the nation and from nationwide websites, such as amazon.com, with shipments to any nook of the country (and Puerto Rico) by delivery services such as FedEx, UPS and USPS. Under the stream of commerce theory, *VE*, and *Beverly*, once the accused infringing product arrives in a district, jurisdiction and venue lie there. This will continue to alarm patent defendants and the fears they have will likely increase until this Court confirms that its *Fourco* and *Stonite Products* decisions have answered the question presented in this case – "Whether 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent

infringement actions and is not to be supplemented by 28 U.S.C. § 1391(c)." The answer in those cases was "Yes. 28 U.S.C. § 1400(b) is the sole and exclusive provision."

CONCLUSION

This Court should reiterate that its decisions in the *Fourco* and *Stonite Products* cases remain the law and that 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent infringement actions.

Respectfully submitted,

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